

*Argonne Henderson*

**REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

## **NO SURFACE USE PAID UP OIL AND GAS LEASE**

(Crestwood)

THIS LEASE AGREEMENT (this "Lease") is made as of the 8<sup>th</sup> day of September 2008, by and between **James P. Herd and Julie S. Herd, Husband and Wife**, whose address is **308 Crestwood Dr, Fort Worth, TX 76107**, as Lessor, and **FOUR SEVENS ENERGY CO., LLC, 201 Main Street, Suite 1455, Fort Worth, Texas 76102**, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. Leased Premises. In consideration of a cash bonus paid upon execution of this Lease, and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called the leased premises:

### **SEE EXHIBIT "A" FOR PROPERTY DESCRIPTION**

in Tarrant County, Texas, containing .810 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas. For purposes of this Lease, "oil and gas" means oil, gas and other liquid and gaseous hydrocarbons and their constituent elements produced through a well bore. "Oil" includes all condensate, distillate and other liquid and gaseous hydrocarbons produced through a well bore. "Gas" includes only those gases associated with hydrocarbons. Expressly excluded from this Lease are lignite, coal, sulfur and other like minerals. The leased premises shall include all strips and gores, streets, easements, highways and alleyways adjacent thereto. Lessor agrees to execute at Lessee's request any additional or supplemental instruments reasonably necessary for a more complete or accurate description of the leased premises. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres specified above shall be deemed correct, whether actually more or less.

2. Term. This Lease is a "paid up" lease requiring no rentals. Subject to the other provisions contained herein, this Lease shall be for a term of thirty-six (36) months from the date hereof (the "primary term"), and for as long thereafter as oil or gas or other substances covered hereby are produced in commercial paying quantities from the leased premises or from lands pooled therewith, or this Lease is otherwise maintained in effect pursuant to the provisions hereof. Lessor, for itself and its successors and assigns, hereby grants Lessee an option to extend the primary term of this Lease for one additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term bonus consideration of \$20,000.00 per net mineral acre as calculated to the center of adjoining streets, alleys, rights-of-way and easements, and with the extension to otherwise be on other terms and conditions as granted for the primary term of this Lease.

3. Royalty. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) for oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty-five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; and (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty-five percent (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of production, severance or other excise taxes, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder. Lessor's right to receive its royalty share of production is superior to any and all claims made after the effective date of this Lease.

If at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this Lease. A well that has been drilled but not fraced within eighteen (18) months following the completion of drilling shall be deemed incapable of producing in paying quantities. If for a period of ninety (90) consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of twenty five dollars (\$25.00) per acre then covered by this Lease on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided, however, that if this Lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. This Lease may not be maintained in force and effect after the end of its primary term solely by the

payment of shut-in royalties for a longer period of time than one (1) year, or for shorter periods of time at various intervals not to exceed in the aggregate three (3) years in all.

It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the credit or benefit of Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, or marketing the oil, gas and other products to be produced under the Lease; however, in the event Lessee determines in good faith that it can obtain a higher price at a market located outside of the local market, and Lessee incurs transportation costs charged by an unaffiliated interstate or intrastate gas pipeline in order to enhance the value of the oil, gas or other products, Lessor's pro rata share of such costs may be deducted from Lessor's share of production. In no event shall Lessor ever receive a price that is less than the price to be received by Lessee, or a price less than the price that could have been obtained from a sale in the local market. Lessee agrees to provide and make available to Lessor upon written request Lessee's records maintained or utilized in connection with any efforts to enhance the value of the oil, gas or other products to be produced pursuant to and in connection with this Lease together with any costs paid or proceeds received by Lessee hereunder. It is the intent of the parties that the provisions of this section are to be fully effective and enforceable and are not to be construed as "surplusage" under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1997).

As used in this Lease, an "affiliate" includes, but is not limited to, the parent company or a subsidiary of Lessee, a corporation or other entity having common ownership with Lessee, a partner or joint venture of Lessee with respect to the ownership or operation of the processing plant, a corporation or other entity in which Lessee owns a ten percent (10%) or greater interest, or any individual, corporation or other entity that owns a ten percent (10%) or greater interest in Lessee.

4. Payments. All shut-in or other royalty payments under this Lease shall be paid or tendered to Lessor at the above address, or at such address or to Lessor's credit at such depository institution as Lessor may provide written notice of from time to time. All payments or tenders may be made in currency by check or draft. Lessee shall pay all royalties on or before within 60 days succeeding the month of production; provided however, royalties on the first month's production from any well shall not be due and payable until one hundred twenty (120) days from the date of first production. If Lessee shall fail to pay royalties as and when required, Lessee shall pay Lessor interest at the rate of one and a half percent (1.5%) per month (but in no event at a rate greater than the highest rate allowed by law) on the unpaid royalties from the date such royalties were due to be paid until such royalties are actually paid in full. Initial bonus monies shall be paid to Lessor in currency by check or draft by Lessee.

5. Continuous Development Obligations. If Lessee drills a well which is incapable of producing in paying quantities (a "dry hole") under the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Section 6 or the action of any governmental authority, then in the event this Lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within ninety (90) days after completion of operations on such dry hole or within ninety (90) days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this Lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this Lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than ninety (90) consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances (a) to develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. If this Lease is maintained beyond the expiration of the primary term by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than 180 days between the completion of one well and the commencement of the actual drilling of another well. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue with diligence and in a good and workmanlike manner in a good faith effort to reach the anticipated total depth. A well will be deemed to have been completed on the date of the release of the completion rig from the drillsite. The permitted time between wells shall be cumulative so that if a well is commenced prior to the date it is required to be commenced, the number of days prior to the date on which the well should have been commenced shall be added to the time permitted for the next well. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Pooling. Lessee shall have the right but not the obligation to pool all of the leased premises or interests therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests; provided, however, that the entire leased premises covered by this Lease shall be included in any unit created pursuant to the pooling authority granted herein. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed eighty (80) acres plus a maximum acreage tolerance of ten percent (10%), and for a gas well or a horizontal completion shall not exceed three hundred and twenty (320) acres plus a maximum acreage tolerance of ten percent (10%). For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet

or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, within ninety (90) days of first production, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling which may be retroactive to first production. Production, drilling or reworking operations anywhere on a unit which includes the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this Lease and included in the unit bears to the total gross acreage in the unit. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. If the leased premises are included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

All properties within the Crestwood Addition neighborhood area in which Lessee has the right so to do shall be pooled into a proration unit, not necessarily the same proration unit, by the end of the primary term or extension thereof, whether or not an actual wellbore is located beneath each particular property. For purposes of this Paragraph and Lease, the "Crestwood Addition neighborhood" means that area so designated within the general area bounded by Rockwood Park Drive on the north and west, Greenwood Cemetery on the east and White Settlement Road on the south, as more particularly set out and designated "Crestwood Addition" on plats filed of public record, and hereinafter referred to as Crestwood.

7. Partial Interests. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. Assignment. Prior to any assignment of this lease or any rights thereunder Lessee agrees to notify Lessor of the name and address of the proposed assignee(s) and to obtain Lessor's prior written consent, which consent shall not be unreasonably withheld or delayed, provided that assignments of working interests to officers, directors and subsidiaries of Chesapeake Exploration, L.L.C., may be made without such consent so long as the aggregate working interest in this lease conveyed by all such assignments does not exceed a ten percent (10%) working interest. Every such assignment or sublease which shall be made without the written consent of Lessor first had and obtained shall be void, and although made with the written consent of Lessor, any such assignment or sublease shall, nevertheless, be void unless it also contains a limitation in favor of Lessor requiring that the written consent of Lessor must be obtained prior to any further assignment or subletting of the rights of Lessee hereunder.

Notwithstanding the foregoing provision, Lessee shall assign 100% of its interest in this lease as of the Effective Date to Chesapeake Exploration, L.L.C., an Oklahoma Limited Liability Company ("Chesapeake"), and Chesapeake will be bound by all of the terms, conditions and obligations of this Lease; such assignment shall take place within one (1) year of the Effective Date of this Lease, or this Lease shall automatically terminate in its entirety and be of no further force or effect.

9. Depth Limitation. This Lease covers only those depths from the surface down to 100 feet below the base of the stratigraphic equivalent of the Barnett Shale formation. All other depths are hereby saved, excepted and reserved to Lessor and excluded herefrom.

10. Surface Use. Notwithstanding anything to the contrary in this Lease, Lessee, its successors and assigns shall not enter upon the surface of, cross over, place any structure or building upon, or conduct any operations, including but not limited to geophysical/seismic operations, on the leased premises. Lessee shall only develop the leased premises by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands. Lessee shall make all reasonable efforts not to use residential or neighborhood streets or thoroughfares in developing the leased premises, except in the event of an emergency situation (and only for so long as said emergency exists) or only if Lessee has obtained an approved truck route from the City of Fort Worth that includes such streets.

11. Water. Lessee shall not have or acquire any rights in and to the water from the leased premises. No surface water or underground fresh water from the leased premises will be used for any reason. Lessee shall comply with all applicable rules in disposition of salt water, brine, or other fluids utilized in or resulting from operations, and shall not cause or permit any such substances to damage or pollute the surface of the leased premises or any fresh water sands lying thereunder. The leased premises shall not be used for salt water disposal, hauling by truck or removal by pipeline.

12. Noise. Noise levels associated with Lessee's operations related to the drilling, completion and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact Lessee's operations are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, including but not limited to compression

equipment, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler or like equipment.

13. Regulatory Requirements and Force Majeure. Lessee's obligations under this Lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including environmental regulations, setback requirements, restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. To the extent any such laws, rules, regulations or orders are less restrictive than the terms of this Lease, this Lease shall control. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this Lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this Lease when drilling, production or other operations are so prevented, delayed or interrupted. Notwithstanding anything foregoing to contrary, the failure or inability of Lessee to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production shall not be considered "force majeure". This Lease shall not be extended for more than a cumulative two year period by reason of "force majeure".

14. Environmental Indemnification. Lessee agrees to indemnify, defend and hold Lessor and Lessor's heirs, personal representatives, and assigns from and against all losses that may be asserted against, imposed upon or incurred by Lessor and Lessor's successors and assigns by reason of, resulting from, or in connection with any environmental hazard or damage on the Leased Premises that are attributable to periods of time during the term of the Lease; and that are deemed to include, without limitation, claims, demands and/or causes of action for negligence on the part of the Lessee, for strict liability in tort, or for strict liability, or for other liability under any present or future state or federal law or regulation, including but not limited to the Solid Waste Disposal Act, TEX. REV. CIV. STAT. ANN. 4477-7, the Texas Clean Water Act, TEX. WATER CODE ANN. Chaps. 26 and 27, the Resource Conservation and Recovery Act, 42 U.S.C. §690 1 et seq., and the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601 et seq., Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq. and such amendments as may be made to these statutes. The liabilities, obligations, losses, damages, penalties, fines, claims, suits, costs, and damages required to be paid by Lessee covered by this indemnity include closure costs, cleanup costs, containment costs, damages to persons, damage to property, damages to resources or to the environment, diminution in the value of the surface estate, all legal expenses, all court costs, all other reasonable expenses incurred by the Lessor for the defense of any claim or cause of action covered by this indemnity, all engineering and expert fees, and expenses for necessary surveys, testing and monitoring.

15. Additional Indemnification. **LESSEE SHALL INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, SUCCESSORS, AND ASSIGNS FROM AND AGAINST ANY AND ALL LIABILITIES, CLAIMS, LOSSES AND DEMANDS FOR DAMAGE TO PROPERTY, PERSONAL INJURY OR DEATH, AND EXPENSES, INCLUDING REASONABLE ATTORNEY'S FEES, EXPERT FEES AND COURT COSTS, ARISING DIRECTLY OR INDIRECTLY FROM ACTIONS, INACTIONS OR OCCUPANCY OF THE LEASE PREMISES OR LANDS POOLED THEREWITH OF AND BY LESSEE OR ITS ASSIGNS OR THE AGENTS, EMPLOYEES, CONTRACTORS OR INVITEES OF EITHER OF THEM.**

16. Notices. All notices required or contemplated by this Lease shall be directed to the party being notified at the address identified above, unless notice of another address has been provided in writing. All such notices shall be made by registered or certified mail, return receipt requested, unless another means of delivery is expressly stated.

17. No Warranty of Title. Lessor makes no warranty of any kind with respect to title to the surface or mineral estate in the leased premises or any portion of or interest therein. All warranties that might arise by common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor), are excluded. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. Lessee assumes all risk of title failures and shall have no recourse against Lessor, its successors or assigns for such.

18. Venue and Legal Fees. Venue for any dispute arising under this Lease shall lie in Tarrant County, Texas, where all obligations under this Lease are performable.

19. Communications. Upon Lessor's written request, Lessee will allow free access to books, records and drilling data (except for Lessee's proprietary seismic data) accumulated pursuant to operations conducted on the leased premises for up to two (2) years prior to such a request provided it has the authority to do so. Such request shall be limited to one request per year during the Lessee's normal business hours, provided that, if the response by Lessee contains information that reasonably leads to a request by Lessor for additional follow-up information, then Lessee will allow free access to such additional information. All information provided by Lessee or obtained by Lessor according to this paragraph that Lessee identifies or designates as proprietary and confidential shall be deemed proprietary and confidential during the primary term of this lease and for as long as oil and gas is produced therefrom, and for a period of one (1) year thereafter, all such information shall remain strictly confidential and Lessor shall not disclose such information to any third party (other than to financial advisors, accountants, and counsel of Lessor, or as required to comply with any legal requirement for production of such information) without the prior written consent of Lessee; provided, however, the foregoing obligations of Lessor shall not apply to such portions of such information which (i) are currently possessed by or available to Lessor, (ii) are or become generally available to the public other than as a result of a disclosure by Lessor, (iii) come into the possession of Lessor from a

source which is not prohibited from disclosing such information to Lessor by a legal, contractual, or fiduciary obligation to Lessee, or any other person, or (iv) is required to be disclosed in order to enforce the terms of this lease or Lessee's obligations hereunder. .

20. Division Orders and Amendments. It is agreed that neither this Lease nor any of its terms or provisions shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor or Lessor's successors, agents or assigns. If Lessee requires the execution of a division order for payment of royalty under this Lease, then it shall follow and be in compliance with Section 91.402(d) of the Texas Natural Resources Code, as amended from time to time. Any amendment, alteration, extension or ratification of this Lease, or any term or provision of this Lease, shall be made only by an instrument clearly denominating its purpose and effect, describing the specific terms or provisions affected and the proposed change or modification hereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced. Any purported amendment, alteration, extension or ratification not so drafted shall be of no force or effect.

21. Waiver of Claims and Neighborhood Association and Committee Members. Lessor acknowledges that the terms of this Lease, the amount of the royalty and bonus paid hereunder, and other terms negotiated with Lessee (herein the "Negotiated Terms") with respect to this Lease, were obtained, wholly or partially, as a result of negotiations between Lessee and the Crestwood Association Gas Leasing Committee consisting of a committee of unpaid volunteers including Tom Roberts, Fred Closuit, Bill Warner and Bob Hayes (hereafter called the "Committee Members"). In consideration of the efforts spent by the Committee Members in negotiating and obtaining the Negotiated Terms on behalf of Lessor and other property owners, Lessor, on behalf of the Lessor and the Lessor's agents, spouses, co-owners, predecessors, parents, subsidiaries, affiliated corporations or other affiliated entities, successors, partners, principals, assigns, attorneys, servants, employees, heirs, consultants, and other representatives, does hereby release and forever discharge the Committee Members and the Crestwood Association from any and all claims, demands, obligations, losses, causes of action, costs, expenses, attorney's fees, and liabilities of any nature whatsoever, whether based on contract, tort, statutory or other legal or equitable theory of recovery, whether known or unknown, past present, or future, which Lessor has, has had, or claims to have against the Committee Members and the Crestwood Association which relate to, arise from, or are in any manner connected to (i) the Negotiated Terms, (ii) the negotiation of the Negotiated Terms, (iii) the inclusion and/or omission of any terms within the Negotiated Terms, or (iv) any and all representations made prior, during, and subsequent to Lessor's execution of this Lease.

22. Decision of Lessor. By signing this Lease, Lessor acknowledges and stipulates that Lessor was not obligated to sign this Lease based on the terms negotiated by the Crestwood Association Gas Leasing Committee with Lessee and that Lessor had the right to negotiate its own terms and with any company prior to signing this Lease. Additionally, Lessor acknowledges that it is Lessor's obligation to investigate this Lease, all negotiated terms, to take such action as necessary to make an informed decision prior to signing this Lease, and that the decision made by Lessor in signing this Lease is made after fully researching this matter independent of any other information provided by the Crestwood Association Gas Leasing Committee or its Committee Members. It is ultimately the responsibility of Lessor to (i) determine if Lessor wants to negotiate with Lessee, (ii) fully investigate the issues and facts related to signing an oil and gas lease, and (iii) determine what terms are acceptable to Lessor to be included in this Lease.

23. Miscellaneous. This Lease is entered into in the State of Texas and shall be construed, interpreted and enforced in accordance with the laws of the State of Texas without reference to choice-of-law rules. Should any of the provisions herein be determined to be invalid by a court of competent jurisdiction, it is agreed that this shall not affect the enforceability of any other provision herein and that the parties shall attempt in good faith to renegotiate that provision so determined to be invalid to effectuate the purpose of and to conform to the law regarding such provision. The section titles appearing in this Lease are for convenience only and shall not by themselves determine the construction of this Lease. This Lease may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Singular and plural terms, as well as terms stated in the masculine, feminine or neuter gender, shall be read to include the other(s) as the context requires to effectuate the full purposes of this Lease.

"The rights of Lessor under this Lease shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under Texas law, including, without limitation, V.T.C.A. Natural Resources Code §§ 91.401 through 91.405."

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

**IN WITNESS WHEREOF**, this Lease is executed to be effective as of the date first written above, but upon execution shall be binding on each signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this Lease has been executed by all parties hereinabove named as Lessor.

**LESSOR:**

James P. Herd  
James P. Herd  
Print Name

**LESSOR:**

Julie S. Herd  
JULIE S. HERD  
Print Name

**ACKNOWLEDGEMENTS**

STATE OF TEXAS                   §  
COUNTY OF TARRANT       §

This instrument was acknowledged before me by Julie S. Herd on the 9th  
day of September, 2008.



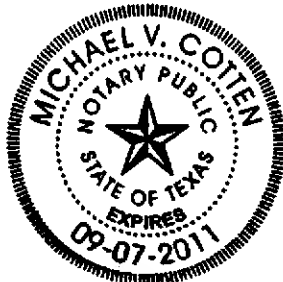
Michael V Cotten  
Notary Public, State of Texas

Michael V Cotten  
Printed Name

9-7-2011  
Commission Expires

STATE OF TEXAS                   §  
COUNTY OF TARRANT       §

This instrument was acknowledged before me by James P. Herd on the 9th  
day of September, 2008.



Michael V Cotten  
Notary Public, State of Texas

Michael V Cotten  
Printed Name

9-7-2011  
Commission Expires

## **EXHIBIT "A"**

**Attached to and made part of that certain Oil & Gas lease dated 8<sup>th</sup> day of September, 2008, by and between James P. Herd and Julie S. Herd, Husband and Wife as lessor(s), and Four Sevens Energy Co., L.L.C., as Lessee.**

**.810 acres of land, more or less, out of the J. W. Conner Survey, A-355. Further described as:**

**Lot 4R, Block 2, Crestwood Addition, an Addition to the City of Fort Worth, Tarrant County, Texas, according to the revised Plat recorded in Cabinet B, Slide 1926, Map/Plat Records, Tarrant County, Texas.**

**Commonly known as 308 Crestwood Dr., Fort Worth, TX 76107.**